

UNITED STATES BANKRUPTCY COURT

SOUTHERN DISTRICT OF NEW YORK

In re:

Chapter 11 Case No.

Lehman Brothers Holdings Inc., et al.,

08-13555

Debtors.

MARCH 2014 POST-EFFECTIVE OPERATING REPORT

MARCH 2014

SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS

SCHEDULE OF PROFESSIONAL FEE AND EXPENSE DISBURSEMENTS

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REPORT PREPARER: LEHMAN BROTHERS HOLDINGS INC., AS PLAN ADMINISTRATOR

Date: April 30, 2014

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SCHEDULE OF DEBTORS

The following entities (the “Debtors”) filed for bankruptcy in the United States Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”) on the dates indicated below. On December 6, 2011, the Bankruptcy Court confirmed the Modified Third Amended Joint Chapter 11 Plan of Lehman Brothers Holdings Inc. and its Affiliated Debtors (the “Plan”). On March 6, 2012, the “Effective Date” (as defined in the Plan) occurred. The Debtors’ Chapter 11 cases remain open as of the date hereof.

	<u>Case No.</u>	<u>Date Filed</u>
Lehman Brothers Holdings Inc. (“LBHI”)	08-13555	9/15/2008
LB 745 LLC.....	08-13600	9/16/2008
PAMI Statler Arms LLC	08-13664	9/23/2008
Lehman Brothers Commodity Services Inc. (“LBCS”)	08-13885	10/3/2008
Lehman Brothers Special Financing Inc. (“LBSF”).....	08-13888	10/3/2008
Lehman Brothers OTC Derivatives Inc. (“LOTG”)	08-13893	10/3/2008
Lehman Brothers Derivative Products Inc. (“LBDP”)	08-13899	10/5/2008
Lehman Commercial Paper Inc. (“LCPI”).....	08-13900	10/5/2008
Lehman Brothers Commercial Corporation (“LBCC”).....	08-13901	10/5/2008
Lehman Brothers Financial Products Inc. (“LBFP”)	08-13902	10/5/2008
Lehman Scottish Finance L.P.	08-13904	10/5/2008
CES Aviation LLC.....	08-13905	10/5/2008
CES Aviation V LLC.....	08-13906	10/5/2008
CES Aviation IX LLC.....	08-13907	10/5/2008
East Dover Limited	08-13908	10/5/2008
Luxembourg Residential Properties Loan Finance S.a.r.l.....	09-10108	1/7/2009
BNC Mortgage LLC.....	09-10137	1/9/2009
LB Rose Ranch LLC.....	09-10560	2/9/2009
Structured Asset Securities Corporation.....	09-10558	2/9/2009
LB 2080 Kalakaua Owners LLC.....	09-12516	4/23/2009
Merit LLC	09-17331	12/14/2009
LB Somerset LLC.....	09-17503	12/22/2009
LB Preferred Somerset LLC.....	09-17505	12/22/2009

The Company has established an email address to receive questions from readers regarding this presentation. The Company plans to review questions received and for those subjects which the Company determines a response would not (i) violate a confidentiality provision, (ii) place the Company in a competitive or negotiation disadvantage, or (iii) be unduly burdensome, the Company shall endeavor to post a response (maintaining the anonymity of the question origination) on the Epiq website maintained for the Company: www.lehman-docket.com. The Company assumes no obligation to respond to e-mail inquiries. Please email questions in clear language with document references to QUESTIONS@lehmanholdings.com.

LEHMAN BROTHERS HOLDINGS INC. AND OTHER DEBTORS AND DEBTOR-CONTROLLED ENTITIES

**BASIS OF PRESENTATION
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
MARCH 1, 2014 – MARCH 31, 2014**

The information and data included in this March 2014 Post-Effective Operating Report (the “Operating Report”) are derived from sources available to Lehman Brothers Holdings Inc. (“LBHI”), as Plan Administrator, and its Controlled Entities (collectively, the “Company”). The term “Controlled Entities” refers to those entities that are directly or indirectly controlled by LBHI, and excludes, among others, those entities that are under separate administrations in the United States or abroad. LBHI and certain of its Controlled Entities filed for protection under Chapter 11 of the Bankruptcy Code, and those entities are referred to herein as the “Debtors”. The Debtors’ Chapter 11 cases have been consolidated for procedural purposes only and are being jointly administered pursuant to Rule 1015(b) of the Federal Rules of Bankruptcy Procedure. LBHI has prepared this Operating Report, which includes certain information as required by the Office of the US Trustee, based on the information available to LBHI at this time, but notes that such information may be incomplete and may be materially deficient in certain respects. This Operating Report is not meant to be relied upon as a complete description of the Debtors, their business, condition (financial or otherwise), results of operations, prospects, assets or liabilities. LBHI reserves all rights to revise this report.

Other items:

1. This Operating Report is not prepared in accordance with U.S. generally accepted accounting principles (GAAP), is not audited and will not be subject to audit or review by the Company’s external auditors at any time in the future. Cash balances and activity denominated in foreign currencies have been converted to US Dollars.
2. Beginning and ending balances include demand deposits, interest-bearing deposits with banks, U.S. and foreign money-market funds, U.S. government obligations, U.S. government guaranteed securities, investment grade corporate bonds and commercial paper, and AAA-rated asset-backed securities secured by auto loans and credit card receivables.
3. Beginning and ending cash balances are based on preliminary closing numbers and are subject to adjustment.
4. Beginning and ending cash and investment balances exclude the following:
 - Cash posted as collateral for hedging activity; and
 - Cash held at real estate owned properties or at third party real estate managers.

5. Restricted cash balances are based on preliminary estimates and are comprised of the following items as of March 31, 2014:

(\$ in millions)	Debtors					Debtor- Controlled Entities	Total Debtors and Debtor- Controlled Entities
	LBHI	LBSF	LCPI	Other	Total		
Reserves for Claims:							
Disputed unsecured claims ⁽¹⁾	\$ 2,462	\$ 2,390	\$ 26	\$ 1,632	\$ 6,510	\$ -	\$ 6,510
Priority tax claims ⁽²⁾	390	117	0	5	512	-	512
Distributions on Allowed Claims (not remitted) ⁽³⁾	89	57	260	3	409	-	409
Secured, Admin, Priority Claims and Other ⁽⁴⁾	86	16	31	14	146	-	146
Subtotal, Claims Reserves	3,027	2,579	316	1,654	7,577	-	7,577
Cash pledged to JPMorgan (CDA) ⁽⁵⁾	313	-	-	-	313	-	313
Citigroup and HSBC ⁽⁶⁾	2,040	-	-	-	2,040	-	2,040
Other ⁽⁷⁾	188	1	57	29	275	70	345
Total	\$ 5,568	\$ 2,580	\$ 373	\$ 1,684	\$ 10,205	\$ 70	\$ 10,275

Totals may not foot due to rounding.

- (1) Represents the cash reserve for disputed unsecured claims subsequent to the fourth Plan distribution on October 3, 2013.
- (2) Represents the cash reserve for the Internal Revenue Service (“IRS”) amended proof of claim that was filed in December 2013.
- (3) Represents unpaid Plan distributions to holders of Allowed Claims of approximately \$276 million for distributions held pending resolution of various items described in settlement agreements with certain Non-Controlled Affiliates and approximately \$133 million related to (i) claimants who failed to submit the proper taxpayer identification number forms and/or Office of Foreign Asset Control (“OFAC”) forms and (ii) resolution of other open items.
- (4) Includes approximately \$71 million related to post-petition intercompany payables, \$18 million related to disputed secured claims, \$2 million related to administrative claims and \$55 million related to other administrative activities and other.
- (5) Represents \$313 million of cash deposited into accounts by LBHI and pledged to JPMorgan (and its affiliates, “JPM”) pursuant to paragraph 6(b) of the Collateral Disposition Agreement (“CDA”) with JPM effective March 31, 2010; related to, but not limited to, clearance exposures and derivative exposures pending resolution of these items.
- (6) Represents cash deposited on or prior to September 15, 2008 by the Company in connection with certain requests and/or documents executed by the Company and Citibank N.A. of approximately \$2 billion and HSBC Bank PLC of \$33 million, including interest earned thereon. The Company is in discussion with HSBC Bank and commenced litigation against Citigroup regarding these deposits, among other things.
- (7) Other includes (i) various pre-petition balances on administrative hold by certain financial institutions of \$92 million; (ii) asserted misdirected wires and other cash received by LBHI for the benefit of third parties and Non-Controlled Affiliates of approximately \$69 million; (iii) cash collected by LCPI on behalf of a third party of \$55 million related to a loan participation agreement; and (iv) other miscellaneous items of \$129 million.

Restricted cash balances herein do not include other cash reserves required for operating expenses, asset preservation and other commitments (e.g. unfunded loans or anticipated investments).

LEHMAN BROTHERS HOLDINGS INC. and other Debtors and Debtor-Controlled Entities
Summary Schedule of Cash Receipts and Disbursements
March 1, 2014 - March 31, 2014

Unaudited (\$ in millions, foreign currencies reflected in USD equivalents)

	Debtors					Debtor-Controlled Entities			Total Debtors and Debtor- Controlled Entities
	LBHI	LBSF	LCPI	Other	Total	LB I Group	Other	Total	
Beginning Free Cash and Investments (3/1/14)	\$ 1,846	\$ 735	\$ 1,988	\$ 392	\$ 4,961	\$ 281	\$ 2,512	\$ 2,793	\$ 7,754
Restricted Cash	8,085	2,587	377	1,800	12,849	4	37	40	12,890
Beginning Total Cash and Investments	9,931	3,322	2,365	2,192	17,810	285	2,548	2,833	20,644
Sources of Cash									
Commercial Real Estate	7	-	157	-	164	-	10	10	174
Loans (Corporate and Residential)	9	-	11	-	20	-	9	9	29
Private Equity / Principal Investing	18	-	1	-	19	15	20	35	54
Derivatives	-	82	0	2	84	-	-	-	84
Receipts from Affiliates	2,608	0	1	29	2,638	-	168	168	2,806
Other	4	1	(4)	1	2	(0)	7	6	8
Total Sources of Cash	2,646	83	167	32	2,927	15	213	228	3,155
Uses of Cash									
Non-Operating									
Commercial Real Estate	(0)	-	(3)	-	(4)	(0)	(11)	(11)	(14)
Loans (Corporate and Residential)	(0)	-	(0)	-	(0)	-	-	-	(0)
Private Equity / Principal Investing	-	-	-	-	-	(0)	(0)	(1)	(1)
Derivatives	-	(1)	-	-	(1)	-	-	-	(1)
Payments to Creditors	(1,088)	-	-	(0)	(1,088)	-	(0)	(0)	(1,088)
Other	(0)	(0)	-	(0)	(0)	(0)	(0)	(0)	(0)
Operating Expenses	(28)	(0)	(0)	(0)	(28)	(0)	(5)	(5)	(33)
Total Uses of Cash	(1,117)	(2)	(3)	(0)	(1,122)	(0)	(16)	(16)	(1,138)
Net Cash Flow	1,529	82	163	31	1,805	14	197	212	2,017
Inter-Company Transfers, Net	727	269	743	(46)	1,693	(272)	(1,421)	(1,693)	(0)
Loan Agencies, Net	2	-	0	-	2	-	-	-	2
FX Fluctuation	(0)	0	0	(0)	(0)	(0)	(0)	(0)	(0)
Ending Total Cash and Investments	12,196	3,673	3,272	2,177	21,318	27	1,324	1,352	22,670
Restricted Cash	(5,568)	(2,580)	(373)	(1,684)	(10,205)	(3)	(67)	(70)	(10,275)
Ending Free Cash and Investments (3/31/14)	\$ 6,628	\$ 1,092	\$ 2,899	\$ 494	\$ 11,113	\$ 24	\$ 1,258	\$ 1,282	\$ 12,395

All values that are exactly zero are shown as "-". Values between zero and \$0.5 million appear as "0".
Totals may not foot due to rounding.

LEHMAN BROTHERS HOLDINGS INC. and other Debtors and Debtor-Controlled Entities
Schedule of Cash Receipts and Disbursements
March 1, 2014 - March 31, 2014

Unaudited (\$ in millions, foreign currencies reflected in USD equivalents)

	Debtors					Debtor-Controlled Entities			Total Debtors and Debtor- Controlled Entities
	LBHI	LBSF	LCPI	Other	Total	LB I Group	Other	Total	
Beginning Free Cash and Investments (3/1/14)	\$ 1,846	\$ 735	\$ 1,988	\$ 392	\$ 4,961	\$ 281	\$ 2,512	\$ 2,793	\$ 7,754
Restricted Cash	8,085	2,587	377	1,800	12,849	4	37	40	12,890
Beginning Total Cash and Investments	9,931	3,322	2,365	2,192	17,810	285	2,548	2,833	20,644
Sources of Cash									
Commercial Real Estate									
Principal (a)	5	-	156	-	161	-	10	10	171
Interest	2	-	2	-	3	-	0	0	3
Loans (Corporate and Residential)									
Principal	9	-	11	-	20	-	7	7	27
Interest	0	-	0	-	1	-	2	2	2
Private Equity / Principal Investing									
Principal	16	-	1	-	17	15	20	35	52
Interest and Dividends	2	-	0	-	2	-	-	-	2
Derivatives									
Return / (Posting) of Hedging Collateral, net	-	2	-	-	2	-	-	-	2
Collections from Live / Terminated Trades	-	80	0	2	82	-	-	-	82
Receipts from Affiliates									
Distributions from Non-Controlled Affiliates (b)	2,608	0	1	29	2,638	-	168	168	2,806
Other									
Other	4	1	(4)	1	2	(0)	7	6	8
Total Sources of Cash	2,646	83	167	32	2,927	15	213	228	3,155

All values that are exactly zero are shown as "-". Values between zero and \$0.5 million appear as "0".
Totals may not foot due to rounding.

LEHMAN BROTHERS HOLDINGS INC. and other Debtors and Debtor-Controlled Entities
Schedule of Cash Receipts and Disbursements
March 1, 2014 - March 31, 2014

Unaudited (\$ in millions, foreign currencies reflected in USD equivalents)

		Debtors				Debtor-Controlled Entities			Total Debtors and Debtor- Controlled Entities
		LBHI	LBSF	LCPI	Other	Total	LB I Group	Other	Total
Uses of Cash									
Non-Operating									
Commercial Real Estate									
Preservation of Assets		(0)	-	(3)	-	(4)	(0)	(11)	(11)
Loans (Corporate and Residential)									
Preservation of Assets		(0)	-	(0)	-	(0)	-	-	(0)
Private Equity / Principal Investing									
Capital Calls		-	-	-	-	-	(0)	(0)	(1)
Derivatives									
Payments on Live Trades		-	(1)	-	-	(1)	-	-	(1)
Payments to Creditors									
Plan Distributions	(c)	(1,085)	-	-	(0)	(1,085)	-	-	(1,085)
Payments to Creditors - Non Controlled Affiliates		(4)	-	-	-	(4)	-	(0)	(4)
Other									
Other		(0)	(0)	-	(0)	(0)	(0)	(0)	(0)
Operating Expenses	(d)								
Compensation and Benefits	(e)	(7)	-	-	-	(7)	-	(1)	(8)
Professional Fees		(16)	-	(0)	-	(16)	-	(1)	(17)
Other	(f)	(6)	(0)	(0)	(0)	(6)	(0)	(2)	(8)
Total Uses of Cash		(1,117)	(2)	(3)	(0)	(1,122)	(0)	(16)	(1,138)
Net Cash Flow		1,529	82	163	31	1,805	14	197	2,017
Inter-Company Receipts	(g)	1,224	300	767	63	2,355	49	191	2,594
Inter-Company Disbursements	(g)	(497)	(32)	(24)	(109)	(662)	(321)	(1,612)	(2,594)
Other	(i)	7	-	0	-	8	-	-	8
Loan Agencies, Net		2	-	0	-	2	-	-	2
FX Fluctuation		(0)	0	0	(0)	(0)	(0)	(0)	(0)
Ending Total Cash and Investments	(h)	12,196	3,673	3,272	2,177	21,318	27	1,324	22,670
Restricted Cash	(i)	(5,568)	(2,580)	(373)	(1,684)	(10,205)	(3)	(67)	(10,275)
Ending Free Cash and Investments (3/31/14)		\$ 6,628	\$ 1,092	\$ 2,899	\$ 494	\$ 11,113	\$ 24	\$ 1,258	\$ 12,395

All values that are exactly zero are shown as "-". Values between zero and \$0.5 million appear as "0".

LEHMAN BROTHERS HOLDINGS INC. and other Debtors and Debtor-Controlled Entities
Schedule of Cash Receipts and Disbursements
March 1, 2014 - March 31, 2014

Unaudited (\$)

Notes:

- (a) Cash collections at LCPI primarily include \$87 million and \$67 million from the sale of the Culver Studios property and the One Kansas City Place loan position, respectively.
- (b) Receipts from Non-Controlled Affiliates primarily include distributions of (i) \$1,174 million, \$29 million and \$167 million from Lehman Brothers Asia Holding Ltd. to LBHI, LBCC and Other Debtor-Controlled Entities, respectively, (ii) approximately \$1,066 million, net of certain reserves, from Lehman Brothers Finance SA ("LBF") to LBHI, (iii) \$176 million from Lehman Brothers (Luxembourg) SA to LBHI, (iv) \$104 million from Lehman Brothers UK Financing Ltd to LBHI, and (v) \$63 million from Lehman Brothers UK RE Holdings Limited to LBHI.
- (c) Payments to Creditors at LBHI primarily include disbursements of (i) \$767 million to Federal Home Loan Mortgage Corporation ("Freddie Mac") as a result of a settlement agreement approved by the Bankruptcy Court in February 2014 (refer to the December 31, 2013 Balance Sheets [Docket No. 43916] for additional information), (ii) \$161 million (released from restricted cash) to Lehman Brothers International (Europe) ("LBIE") for an allowed guarantee claim of \$1,008 million due to the settlement agreement between LBIE and Lehman Brothers Bankhaus A.G. dated March 14, 2014, and (iii) approximately \$150 million to LBF on an allowed claim of \$942 million (refer to the December 31, 2013 Balance Sheets [Docket No. 43916]); this amount was not paid directly to LBF, but offset against the LBF receipts reflected above in footnote (b)(ii).
- (d) A portion of the Operating Expenses paid by LBHI is subject to allocations to, and reimbursement from, various Controlled Entities.
- (e) Compensation and Benefits includes the Company's employee expenses as well as fees paid to Alvarez & Marsal (A&M).
- (f) Operating Expenses - Other includes expenses related to outsourced services, IT, occupancy, taxes, insurance and other general administrative items.
- (g) Inter-Company Receipts and Disbursements primarily include partial repayments on intercompany balances, settlement of costs allocation and other administrative activities.
- (h) Ending Total Cash and Investments for Debtor-Controlled Entities - Other includes \$227 million of cash balances at Debtor-Controlled Entities in Asia.
- (i) The decrease in LBHI restricted cash primarily relates to (i) the release of \$1.2 billion in connection with the Freddie Mac settlement agreement (see footnote (c) above), (ii) the release of \$927 million to certain Debtors and Debtor-Controlled Entities in connection with the IRS filed amended proof of claim, (iii) the transfer of \$228 million to Debtor-Controlled Entities for cash collected on their behalf in previous months, and (iv) a payment of \$161 million to LBIE from "Restricted Cash - Distributions on Allowed Claims (not remitted)" (see footnote (c) above).

LEHMAN BROTHERS HOLDINGS INC. AND OTHER DEBTORS AND DEBTOR-CONTROLLED ENTITIES

**BASIS OF PRESENTATION
SCHEDULE OF PROFESSIONAL FEE AND EXPENSE DISBURSEMENTS
MARCH 1, 2014 – MARCH 31, 2014**

The information and data included in this March 2014 Post-Effective Operating Report (the “Operating Report”) are derived from sources available to Lehman Brothers Holdings Inc. (“LBHI”), as Plan Administrator and its Controlled Entities (collectively, the “Company”). The term “Controlled Entities” refers to those entities that are directly or indirectly controlled by LBHI, and excludes, among others, those entities that are under separate administrations in the United States or abroad. LBHI and certain of its Controlled Entities had filed for protection under Chapter 11 of the Bankruptcy Code, and those entities are referred to herein as the “Debtors”. The Debtors’ Chapter 11 cases have been consolidated for procedural purposes only and are being jointly administered pursuant to Rule 1015(b) of the Federal Rules of Bankruptcy Procedure. LBHI has prepared this Operating Report, including certain information as required by the Office of the United States Trustee, based on the information available to LBHI at this time, but note that such information may be incomplete and may be materially deficient in certain respects. This Operating Report is not meant to be relied upon as a complete description of the Debtors, their business, condition (financial or otherwise), results of operations, prospects, assets or liabilities. LBHI reserves all rights to revise this report.

1. This Operating Report is not prepared in accordance with U.S. generally accepted accounting principles (GAAP), is not audited and will not be subject to audit or review by the Company’s external auditors at any time in the future.
2. The professional fee disbursements presented in this report reflect the date of actual cash payments to professional service providers. The Company has incurred additional professional fee expenses during the reporting period that will be reflected in future Operating Reports as cash payments are made to providers.
3. The professional fee disbursements presented in this report have primarily been paid by LBHI; a portion of these fees have been and will be allocated to Debtors and certain Controlled Entities based on the dedicated costs associated with each entity and an allocation methodology.

LEHMAN BROTHERS HOLDINGS INC. and Other Debtors and Debtor-Controlled Entities
Schedule of Professional Fee and Expense Disbursements
March 2014 (a)

Unaudited (\$ in thousands)

		Mar-2014	Year-to-date
Alvarez & Marsal LLC	Interim Management	\$ 2,886	\$ 11,709 (d)
Professional Fees			
Akerman Senterfitt & Eidson PA	Special Counsel	102 (b)	232
Arnold & Porter, LLP	Special Counsel	294	1,090
Bickel & Brewer	Special Counsel - Real Estate	176	970
Bingham McCutchen LLP	Special Counsel - Tax	6 (b)	700
Curtis, Mallet-Prevost, Colt & Mosle LLP	Conflicts and Litigation Counsel	645	1,313
Epiq Bankruptcy Solutions LLC	Claims Management and Noticing Agent	376	1,036
FTI Consulting Inc.	Financial Advisor - Creditors & Tax	25	291
Jones Day	Special Counsel - Asia and Domestic Litigation	1,121	1,930
Milbank Tweed Hadley & McCloy LLP	UCC Litigation Committee and Litigation Counsel	552	1,265
Pachulski Stanq Ziehl & Jones	Special Counsel - Real Estate	75	295
Quinn Emanuel Urquhart Oliver & Hedges LLP	UCC Litigation Committee and Litigation Counsel	1,285	2,626
Reilly Pozner LLP	Special Counsel - Mortgage Litigation and Claims	133	237
Weil Gotshal & Manges LLP	Lead Counsel - Debtors	7,552 (b)	14,175
Wollmuth Maher & Deutsch LLP	Special Counsel - Derivatives	245	453
US Trustee Quarterly Fees		-	353
Other Professionals - Legal	Various	3,234 (c)	9,939
Other Professionals - Non-Legal	Various	930 (c)	2,915
Other Professionals - Asia	Various	199 (c)	614
Sub-total Professional Fees		16,950	40,433
Total Professional Fees (including A&M)		19,836	52,142

(a) The Company has incurred additional professional fee expenses that will be reflected in future Operating Reports.

(b) Reflects professional fees incurred for multiple months.

(c) Other Professionals reflect disbursements, including expert witnesses fees, to over 100 vendors.

(d) Reflects payments to Alvarez & Marsal for four months of invoices.